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Full File Utility Credit Reporting: Harms to Low-Income Consumers

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One of the efforts to promote alternative credit data urges that utility companies engage in monthly reporting of customer payments, including late payments, to the Big Three nationwide credit reporting agencies (CRAs), Equifax, Experian, and TransUnion. Currently, the vast majority of electric and natural gas utility companies only report to those three CRAs when a seriously delinquent account has been referred to a collection agency or written off as uncollectible.

Promoters contend that ñfull fileò utility credit reporting will assist thin file or no-file consumers to build credit histories and gain access to credit. NCLC (on behalf of its low-income clients) opposes mandatory full file utility credit reporting because we believe it could end up hurting, not helping, millions of low-income consumers. We do not oppose voluntary, opt-in reporting of utility data.

Full file utility credit reporting will result in millions of new negative marks on credit reports

Full file utility credit reporting could end up harming consumersô credit scores, or give them low scores instead of no scores. Many low-income customers would receive negative marks for a 30- or 60-day late payment during months when utility costs are high, even though they eventually catch up when costs are lower (e.g., in summer months for cold winter states). These negative marks are damaging; FICO has indicated that a single 30-day late payment damages a credit score by as much as 60 to 110 points.

An industry-funded study claims that new black marks will be minimal because its data shows that less than 3% of consumers earning $50,000 or less have a single 60-day late utility payment during a one-year period. Data from utility companies and regulators contradict these statistics, showing that the percentage of utility consumers paying 60 days late is much higher:

- Data from Pacific Gas and Electric shows about 6% of general residential customers and nearly 13% of low-income/energy assistance customers were in arrears by 61 to 90 days in June 2012. San Diego Gas and Electric Co. reported that about 11% of general residential customers and 34% of low-income/energy assistance customers were in arrears by 61 to 90 days in June 2012.
- In Massachusetts, over one-third (33.5%) of low-income/energy assistance customers of NSTAR Electric (now, Northeast Utilities) were more than 60 days late in paying their bills in June 2012.
- Columbus Gas Co. in Ohio reported that 275,000 out of its 1.3 million customers ï about 21% - were in arrears by more than 60 days as of December 2011. East Ohio Gas Co. reported that 171,700 out of its 1.1 million customers ï nearly 16% - were in arrears over 60 days as of December 2011.

A bad credit history can often be worse than no credit history

A low credit score will make consumers the target of predatory lenders, such as fee-harvester credit cards. In addition, both employers and insurance companies use credit reports. In those cases, not having a credit history is much less harmful than having a bad history. Full utility credit reporting could result in consumers being denied employment or forced to pay higher insurance rates.

Full file utility credit reporting conflicts with established state utility consumer protections

States across the country have adopted consumer protections intended to protect elderly, disabled, and households with young children from the loss of electric and natural gas utility service during high cost months, and in times of illness or financial hardship. These consumers may sometimes defer full payment of utility bills, knowing they are protected from shutoff. Enacting full file utility credit reporting would undermine these health and safety protections.

For more information and data, contact National Consumer Law Center Senior Energy Policy Analyst John Howat (jhowat@nclc.org) or National Consumer Law Center Attorney Chi Chi Wu (cwu@nclc.org), (617) 542-8010.